

**2015-2016 PROPOSED BUDGET
RESPONSE TO REQUEST FOR INFORMATION**

DEPARTMENT: Financial Services

REQUEST NO.: 21

REQUESTED BY: Adler

DATE REQUESTED: 5/15/15

DATE POSTED: 5/21/15

REQUEST: Assume that:

- a) Council voted to adopt a 6% homestead exemption for fiscal year 2015-16;
- b) The state Legislature voted to approve authority for cities to adopt a fixed-value \$58,000 homestead exemption and this exemption were ratified by voters in a November, 2015 election; and,
- c) Council voted to rescind the 6% percentage-based exemption and institute the \$58,000 fixed-value exemption for fiscal year 2016-17, assuming however that it would require grandfathering homeowners who could gain a larger benefit from the 6% percentage-based exemption to allow them to continue to apply the 6% exemption.

What would the incremental impact to the City be above and beyond the cost of instituting the \$58,000 exemption?

RESPONSE:

In fiscal year 2017, it is projected that 2,000 homeowners would realize a larger benefit from a 6% percentage-based homestead exemption than they would from a \$58,000 fixed-value homestead exemption. In total, these homeowners would be able to deduct approximately \$64 million more in property value than they would if granted only a \$58,000 fixed-value exemption. City staff project that instituting a 6% homestead exemption in fiscal year 2015-16 would be revenue-neutral at a tax rate of 48.24 cents per \$100 of taxable value. Assuming that this same rate were to be adopted in fiscal year 2016-17, the incremental \$64 million in exempted property value attributable to these homeowners has a projected cost to the City of approximately \$304,000, or an average of approximately \$152 per homeowner. These additional savings are the equivalent of receiving, on average, a \$90,000 exemption, as opposed to a \$58,000 one.